

TANF BUDGET REDUCTION PLAN

Introduction: Before welfare reform, more than 70,000 Hoosier families a month were receiving assistance. Indiana put work first and provided supports such as child care and job training, and caseload numbers dropped almost 50% between 1994 and 2000.

Today, significant changes in the program need to be made to close the gap in the budget. A weakened economy has caused increasing caseloads – from a low of 37,000 a month in 1999 to more than 52,000 in June 2002. The federal government has not provided an increase in TANF funding since the program began in 1995, and reserve funds from years when Indiana's caseloads were dropping have been expended on services.

Following the release of FSSA's TANF Budget Reduction Plan, FSSA held a public forum and asked for comments and suggestions. Most feedback urged continued funding, specifically for child care assistance. Some feedback included suggestions about ways to save or cut costs.

Income Disregard: Because more data became available, it is now clear that modifying the income disregard policy from 100% to 75% may save \$25M. Income disregard policies allow TANF families to keep money they earn, without a loss of benefits, until the combination of benefits and earnings reach the poverty level.

Development of the Final Plan: This plan includes the following changes to the original proposal:

- Reduce the cut to the Child Care Development Fund. The original proposal was to cut \$21M, but the cut will now be \$9.7M. The restoration of child care funding is consistent with the comments FSSA received and is in the best interest of low-income working families. This adjustment was possible because one-time performance bonus funds were received. It is not a permanent funding increase. This additional funding will reduce the number of children on the waiting list who are below 127% of Federal Poverty Level.
- Modify the expected savings from the income disregard policy to \$20M (from the original estimated savings of \$12.5M). We will use any savings above \$20M to establish new Individual Development Accounts for TANF cash assistance recipients and aggressively promote savings for TANF families. Families that use Individual Development Accounts will actually increase their income.
- Reduce the budget cut expected from the full family sanction policy by half, from an original cut of \$6M to a revised cut of \$3M. We believe we should move forward with implementing full family sanctions but should also work aggressively to keep families from receiving a full sanction. Full family sanction policies cut benefits to the children of adults who do not follow program requirements.

High Performance Bonus: The \$10.3M federal High Performance Bonus was earned because of Indiana's success at helping families find and keep work. It should be used to

encourage and support employment for low-income families. The \$10.3M will be allocated as follows:

- \$7.3M for the Child Care Development Fund to provide child care vouchers to eligible families on the waiting list.
- \$1M to provide match funds to Healthy Family sites that get new cash contributions.
- \$1M for collaborative projects with the departments of Workforce Development and Commerce to develop jobs in healthcare and manufacturing, reduce barriers to employment and promote use of the federal and state Earned Income Tax Credit.
- \$1M to expand child abuse and neglect prevention services. Currently, funding streams with specific criteria control many of the services available. Bonus funding will be used to improve child health and educational outcomes within the context of the child's family.

PROGRAM: ADMINISTRATION
TANF Savings strategy: Reduce Funding to Administrative Accounts
(Automation, Caseworker Training, Contracted Coordinator Services)
Savings Amount: \$4.8M

BACKGROUND INFORMATION: Automation: The federal government requires FSSA to produce 30 reports annually tracking individual and family data, work participation rates and other financial information and 276 kinds of TANF data. Training: New caseworker training courses were scheduled to be developed for staff enhancement. Coordinator Services: Contracted staff is used to coordinate faith-based and fatherhood efforts.

NUMBER OF PEOPLE CURRENTLY SERVED BY PROGRAM: These are administrative costs.

PROPOSED CHANGE: Automation: FSSA would realize a \$4M savings in administrative costs by reducing the data contract for automation services. Training: About \$300K would be saved by delaying the creation of new training curriculum. Coordinator Services: About \$500K would be saved by reducing outside contracts for faith-based and fatherhood programs and bringing those functions in-house.

NUMBER OF PEOPLE AFFECTED: Changes will reduce future automation efficiencies, reduce staff training and cut outside contracted services for faith-based and fatherhood programs.

PROGRAM: CHILD CARE
TANF Savings strategy: Eliminate Use of TANF funds for Child Care
Savings Amount: \$9.7M

BACKGROUND INFORMATION: The purpose of the Child Care Development Fund is to increase the accessibility, availability, affordability and quality of child care. When cash assistance caseloads dropped, some of the money saved was used for child care for non-TANF families.

Children eligible for the program are under the age of 13, or ages 13-18 with special needs. Currently, families must have income below 143% of poverty but can stay on the program until they reach 181% as they move toward self-sufficiency. The annual income at federal poverty level for a family of four is \$18,100.

NUMBER OF CHILDREN CURRENTLY SERVED: 42,557

PROPOSED CHANGES:

- Starting Oct. 1, 2002, FSSA will cap eligibility at 127% of poverty. Currently, 6,713 children served by this program live in families over the 127% cap. There is already a waiting list of 11,552 children in families that would meet the new cap. While the proposal results in the loss of child care subsidy for 6,713 children, it does permit 3,760 children from the waiting list to be served. There will be 7,792 children remaining on the waiting list.
- Increase fees in the sliding scale co-pay system for families above 100% of poverty based on income and length of time receiving services.

NUMBER OF CHILDREN AFFECTED BY CHANGE: 3,760 currently on waiting list could be served

NEXT STEPS: A revised state plan would be submitted to the U.S. Department of Health and Human Services.

PROGRAM: TANF CASH ASSISTANCE
TANF Savings strategy: Modify TANF Income Disregard Policies
Savings Amount: \$20M

BACKGROUND INFORMATION: Under old TANF policies, for every dollar a recipient earned they lost a dollar in benefits. In July 2000, a new state policy allowed families on TANF to earn money without losing benefits until the combination of their earnings and benefits was more than the federal poverty level. This gave a greater incentive for people to work. It also allowed families to earn enough money so they would be less likely to go back on the TANF rolls if a financial crisis occurred. During the first two years of welfare reform, 26% of families leaving assistance returned within six months. A year after this policy began, that number dropped to 15%.

But, this policy also had the effect of encouraging families to stay on assistance longer. As a result, the policy contributed to caseload and expenditure growth.

NUMBER OF PEOPLE CURRENTLY SERVED BY PROGRAM: 9,600

PROPOSED CHANGE: In order to control expenditures, FSSA will now count 25% of earnings when determining TANF benefits. That means for every \$1 a TANF recipient earns, they would lose 25 cents in benefits. FSSA will also implement a statewide campaign to encourage parents to participate in the Individual Development Account (IDA) Program. Earnings contributed into an Individual Development Account don't count when considering TANF benefits. Families would be able to develop assets and receive more assistance from the IDA Program.

NUMBER OF PEOPLE AFFECTED BY CHANGE: Approximately 9,600 people per month

NEXT STEPS: Amendments to administrative rules; client notices; staff training; develop connections with the Community Development Corporations administering IDAs.

PROGRAM: TANF CASH ASSISTANCE
TANF Savings strategy: Implement Full Family Sanction
Savings Amount: \$3M

BACKGROUND INFORMATION: TANF recipients must comply with employment and child support rules. Currently, if a client breaks the rules, they lose cash assistance for themselves, but their children still qualify for aid. Penalties can last from 3 to 18 months.

PROPOSED CHANGE: TANF parents and caretakers who break the rules would immediately lose assistance for themselves. If they are not back in compliance within 90 days, the entire family will lose assistance. This policy is currently used in 36 states. Family Case Coordinators will continue to work to bring clients back into compliance.

NUMBER OF PEOPLE AFFECTED: Approximately 2,800 people per month

NEXT STEPS: Amendments to administrative rules, client notification, and staff training.

PROGRAM: INDIANA MANPOWER PLACEMENT AND COMPREHENSIVE TRAINING PROGRAM

TANF Savings strategy: Reduce Contracts and increase collaboration with Department of Workforce Development

Savings Amount: \$2.5M

BACKGROUND INFORMATION: Indiana Manpower and Comprehensive Training (IMPACT) provides services to help recipients of Food Stamps and TANF achieve economic self-sufficiency through education, training job search and job placement activities.

IMPACT services are a component of Indiana's Welfare-to-Work program which emphasizes "work first," which means individuals are expected to accept a job when it can be secured with their existing education and skills.

Individuals are asked to begin their job search as soon as possible. For those not able to find a job right away, additional activities are provided. The client's plan outlines the steps required to become self-sufficient. In addition to job searching, activities could include job readiness training or unpaid community work experience. Support services, such as transportation reimbursement, car repair and a clothing stipend may also be offered.

NUMBER OF PEOPLE CURRENTLY SERVED BY PROGRAM: 26,000 per month

PROPOSED CHANGE: FSSA funds available for IMPACT contracts will be reduced by \$2.5M, resulting in a reduction in the number of people served and types of services available. TANF savings and improved service can be achieved through greater collaboration with the Department of Workforce Development and other state and community partners. FSSA will focus on job placement and retention while DWD would offer career development and skill building services.

NUMBER OF PEOPLE AFFECTED BY CHANGE: 26,000 current clients. Also, 1,450 new clients will not get services.

PROGRAM: SOCIAL SERVICES BLOCK GRANT (SSBG)
TANF Savings strategy: Reduce transfer of TANF funds to supplement SSBG funding
Savings Amount: \$6.8M

BACKGROUND INFORMATION TANF Block Grant funds are sometimes transferred to the Social Service Block Grant. The amount of the transfer has varied, and it is used to support the Division of Family and Children as well as 23 separate service programs within FSSA and the departments of Health and Corrections. Reductions in the federal SSBG allotment have made these transfers needed, but the TANF transfer must now be reduced. All programs will receive a 3.8% cut in 2003.

	Total Current Funds	Total Funds After Cut	Net Change
Family Planning	350,000	335,452	-14,548
Services to Victims of Domestic Violence	951,420	911,874	-39,546
Crisis Nursery Services	135,918	130,269	-5,649
Services to Family & Children	931,032	892,333	-38,699
Services to Youth	88,346	84,674	-3,672
Consolidated Outreach	129,122	123,755	-5,367
Division Administration Funds	788,317	755,550	-32,767
Department of Health – HIV Aids	604,830	579,690	-25,140
DMH – Seriously Mentally Ill Services	4,517,274	4,329,512	-187,762
DMH – Substance Abuse Services	1,365,371	1,308,619	-56,752
Adult Day Programs Develop. Disabled	16,135,765	15,465,078	-670,687
Diagnostic Services Develop. Disabled	608,716	583,415	-25,301
Services for Physically Disabled	395,270	378,841	-16,429
Services for Deaf & Hard of Hearing	135,921	130,271	-5,650
Aging/Comm. Serv.	10,601,140	10,160,501	-440,639
Child Development Administration	265,000	253,985	-11,015
County Admin	9,173,844	8,792,531	-381,313
Services IV-B	1,435,000	1,375,354	-59,646
Family Protection Proj	72,062	69,067	-2,995
Foster Parent Training	150,000	143,765	-6,235
Caseworker Training	150,000	143,765	-6,235
Healthy Families	455,145	436,227	-18,918
Other Services	299,408	286,963	-12,445
Adoption Assistance	1,534,000	1,470,239	-63,761
Early Intervention Services	16,290,302	15,613,192	-677,110
Reserve*	3,818,544	0	0
Department of Corrections – Community Based	3,900,818	3,738,680	-162,138
TOTAL ALL ALLOTMENTS	75,282,565	68,493,602	-2,970,419

* Includes use of one-time reserve

PROGRAM: HEALTHY FAMILIES
TANF Savings strategy: Reduce TANF funding
Savings Amount: \$1M (there is an additional reduction in SSBG allocation)

BACKGROUND: Healthy Families is a home visiting program that promotes positive parenting, child health and development and prevention of child abuse and neglect. Healthy Families clients receive: systematic screening before or at birth, assessment of cognitive, emotional and parent-child functioning with referral and follow-up, home visitation services. An independent evaluation of this program found children served showed significant improvement in a variety of measures.

NUMBER OF PEOPLE CURRENTLY SERVED: In 2001, more than 21,000 families were referred for Healthy Families services.

PROPOSED CHANGES: There would be a 3% reduction in TANF funding. Each county, on average, would need to locate approximately \$11K in other funding to maintain the current level of service. Sites currently raise a 10% match for their budgets. The in-kind services and cash raised to reach that 10% match must remain the same, but to encourage community involvement and increased funds, we will provide a match of up to 100% of new cash raised by local Healthy Families sites.

NUMBER OF PEOPLE AFFECTED BY THE CHANGE:

- About 225 families will not be funded to receive home visitation services.

PROGRAM: FIRST STEPS
TANF Savings strategy: Reduce TANF funding
Savings Amount: \$2M (there is an additional SSBG cut of \$700K)

BACKGROUND: First Steps provides early intervention services to more than 17,000 infants and toddlers in Indiana each year.

Children from birth to 36 months are eligible for First Steps if they: are experiencing developmental delay, have a diagnosed physical or mental condition that has a high probability of resulting in developmental delay, or are at risk of having substantial developmental delays if early intervention services are not provided.

Current services include assistive technology, audiology, developmental therapy, diagnostic medical, family training, health, nursing, nutrition, occupational, physical and speech therapy, psychology, service coordination, social work and vision.

PROPOSED CHANGES: The unit rates for direct services and family training will be reduced by 6%. There will be no reductions for evaluations, Individual Family Service Plan development, assistive technology, transportation or service coordination.

The approximately 3,000 professional providers of First Steps services will be reimbursed at a lower level for some of the services they provide to First Steps children and their families. For example, the rate of reimbursement for 1 hour of physical therapy delivered in the child's home will be reduced from \$95.76 to \$90.

NUMBER OF PEOPLE AFFECTED BY THE CHANGE: 3,000 Service Providers

PROGRAM: OTHER PROGRAM REDUCTIONS
TANF Savings strategy: Reduce TANF funds currently used for other administrative services
Savings Amount: \$3.2 M

PROGRAM	PROGRAM DESCRIPTION	REDUCTION AMOUNT	NUMBER OF PEOPLE SERVED
Assisted Guardianship	Assisted Guardianship Program provides financial support to encourage relatives to care for children who are unable to return to their parent's home due to abuse and neglect as an alternative to long term placement.	\$75,000	330 children per year
Bartholomew County Child Care Demonstration	This pilot was a short-term experiment to test the feasibility and impact of providing child care assistance to families with higher incomes.	\$500,000	188 children per month
Family Development Network	Family Development Network is a case management program for low-income families that was established as a pilot to address the comprehensive needs of families. Services were provided through Community Action Agencies under performance based contracts.	\$1,908,720	475 families during the 18 months the program was available.
Family Planning	TANF supplements funding for medical services and prescriptions to prevent out-of-wedlock birth.	\$85,000	3,556 women per month
Caseworker Competency Training	This training prepares DFC workers to carry out eligibility and service functions.	\$160,000	Reduction in Administrative Costs Only
Coordination of Faith Based Services	This is an administrative function that provides general support and technical assistance to faith providers desiring to procure contracts for social services.	\$240,314	Reduction in Administrative Costs Only
Coordination of Fatherhood Services	This is an administrative function that provides general support and technical assistance to providers desiring to procure contracts for social services to fathers.	\$222,705	Reduction in Administrative Costs Only